

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no.: 59/LM/Aug04

In the large merger between:

Reunert Ltd

and

African Cables Ltd

Reasons

Introduction

The Tribunal approved the merger between Reunert Limited and African Cables Holdings (Pty) Ltd on 8 September 2004 unconditionally. The reasons are set out below.

The transaction

Reunert Limited (“Reuner”) and Pirelli Cable Holding N.V. (“Pirelli”) a company incorporated in the Netherlands jointly controlled African Cables Holdings (Pty) Ltd, with each holding 50% in the joint venture. African Cables holds 100% in shareholding in African Cables Limited (“African Cables”). Subsequent to this transaction Reunert will control African Cables as a result of its acquisition of Pirelli’s 50% shareholding in the target firm.¹

The transaction was concluded because Pirelli has decided to sell its shares in African Cables to enable it to focus on markets it considers more strategic. There were also differences over the introduction of BEE shareholders.

¹ It is Reunert’s intention, so it says, to sell a portion of its shares, which could be as much as 25.1% to a BEE company.

Effect on Competition

There is no product overlap in the present transaction.

African Cables is engaged in the design, development, manufacture and installation of insulated electrical power cables that range from low voltage to high voltage.² Within this market it competes with rivals such as Aberdare Cables that has a market share of 43% as opposed to African Cables' market share of 28%. Imports represent 16% of the market share.

Reunert, inter alia, manufactures and supplies low voltage electrical switchgear, copper and optical fibre telecommunication cable and various office systems.³

In light of the fact that Pirelli has sensitive information on the business of African Cables it has agreed to a restraint from being directly or indirectly engaged or interested in the manufacturing of or trading in the products offered by African Cables for a period of three years. After expiry of the period Pirelli can immediately enter the South African market as a potential competitor to African Cables.

In light of the fact that there is no product overlap we find that the transaction will not substantially lessen or prevent competition.

Public interest issues

The transaction raises no substantial public interest concerns and is unlikely to have an effect on employment.

N Manoim

13 September 2004
Date

Concurring: L Reyburn, M Mokuena

² Low voltage ranges from 500V – 6.6Kv, medium voltage ranges from 6.6 kV to 33kV and high voltage ranges from 42kV – 132 Kv.

³ Although the technology used in producing electronic and telecommunication cable is in principle the same, the type of machinery used is different. Thin copper wire or optical fibre is used in telecommunication cable while power cable uses heavy conductors of much larger dimensions. The manufacturing methods differ substantially.

For the merging parties: none

For the Competition Commission: Maarten van Hoven